Report

of the

Examination of

Nationwide Insurance Company of America

Des Moines, Iowa

As of December 31, 2001

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State of Wisconsin / OFFICE OF THE COMMISSIONER OF INSURANCE

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Jorge Gomez, *Commissioner*

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January 29, 2003

Honorable Sally McCarty
Secretary, Midwestern Zone, NAIC
Commissioner of Insurance
State of Indiana
311 West Washington St., Suite 300
Indianapolis, Indiana 46204-2787

Honorable Jorge Gomez
Commissioner of Insurance
State of Wisconsin
125 S. Webster Street
Madison, Wisconsin 53702

Commissioners:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

NATIONWIDE INSURANCE COMPANY OF AMERICA
DES MOINES, IOWA

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of the company was dated March 13, 2000 and was as of December 31, 1997, by the California Insurance Department. The current examination covered the intervening period ending December 31, 2001, and included a review of such 2002 transactions as deemed necessary to complete the examination.

The examination consisted of a review of all major phases of the company's operations, and included the following areas:

History
Management and Control
Corporate Records
Conflict of Interest
Fidelity Bonds and Other Insurance
Employees' Welfare and Pension Plans
Territory and Plan of Operations
Affiliated Companies
Growth of Company
Reinsurance
Financial Statements
Accounts and Records
Data Processing

Emphasis was placed on the audit of those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The section of this report titled "Summary of Examination Results" contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the course of the examination. We also relied on the cooperation and work performed by the Ohio Department of Insurance and the Iowa Department of Insurance.

Independent Actuary's Review

The Actuary from the Ohio Department of Insurance reviewed the loss and loss adjustment expense reserves of the Nationwide Group for adequacy. The results of her work was reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was organized in 1926, as Wolverine Insurance Company. It was incorporated on June 30, 1960, under the laws of California as the Spartan Insurance Company and began business on August 31, 1960. In 1962, the company was purchased by Transamerica Insurance Company. In 1993, the Transamerica Group, including the company, was purchased and taken public by TIG Holdings, Inc. The name, TIG Countrywide Insurance Company was adopted on December 31, 1993, after the second public stock offering, which reduced Transamerica's ownership interest to zero. Nationwide Mutual Insurance Company acquired TIG Countrywide as a shell from TIG Holdings on December 31, 1997, concurrent with its acquisition of TIG Holdings' independent agency personal lines business, which TIG Countrywide assumed. In 1999, the company redomesticated from California to Wisconsin and the name was changed to Nationwide Insurance Company of America (NICOA).

The company writes direct premium in the following states (000):

Michigan	$ 33,529	77.1%
Kansas	6,808	15.7
Tennessee	1,286	3.0
Illinois	1,110	2.6
Indiana	451	1.1
Minnesota	130	0.3
Oregon	107	0.2
Nebraska	96	0.2
	$ 43,516	00.0%

The major products marketed by the company include homeowners multiple peril, private passenger auto liability and auto physical damage. The major products are marketed through independent agents.

The following table is a summary of the net insurance premiums written by the company in 2001. The growth of the company is discussed in the Financial Data section of this report.

Line of Business	Direct Premium	Reinsurance Assumed	Reinsurance Ceded	Net Premium
Fire	$ 290,875	$ 2,718	$ 293,593	$ 0
Allied lines	106,406	-311	106,095	0
Homeowners multiple peril	11,382,928	157,987	11,540,916	0
Inland marine	401,595	15,693	417,288	0
Earthquake	6,559	219	6,778	0
Workers' compensation	0	158	158	0
Other liability - occurrence	218,744	5,100	223,844	0
Private passenger auto liability	13,377,090	939,582	14,316,671	0
Auto physical damage	17,731,546	839,330	18,570,876	0
Total All Lines	$ 43,515,743	$ 1,960,476	$ 45,476,219	$ 0

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of nine members. Nine directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

Currently the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Galen R Barnes Columbus, OH	Chairman of the Board	2003
Michael D Miller Westerville, OH	Vice President - Finance	2003
David K Hollingsworth Westerville, OH	Senior Vice President	2003
Kathleen D Ricord Columbus, OH	Vice President	2003
David R Jahn Westerville, OH	Senior Vice President	2003
Douglas C Robinette Westerville, OH	Senior Vice President	2003
Gale V King Gahanna, OH	Vice President	2003
Richard M Waggoner Westerville, OH	Senior Vice President	2003
George N McKinnon Westerville, OH	Vice President	2003

Officers of the Company

Due to a 100% quota share agreement, the company is not allocated any salaries. The company officers serving at the time of this examination are as follows:

Name	Office
Galen R. Barnes	Chairman of the Board
Stephen S. Rasmussen	President and Chief Operating Officer
Donna A. James	Executive VP-Chief Administrative Officer
Robert A. Oakley	Executive VP-Chief Financial Officer
Robert J. Woodward	Executive VP-Chief Investment Officer
Lynda M. Butler	Vice President-Finance and Treasurer
Robert M. Parsons	Vice President-Assoc General Counsel and Assistant Secretary
Carol L. Dove	Associate Vice President-Treasury Services and Assistant Treasurer
Glenn W. Soden	Associate Vice President and Secretary
John F. Delaloye	Assistant Secretary
Michael D. Maier	Assistant Treasurer
Daniel J. Murphy, Jr.	Assistant Treasurer

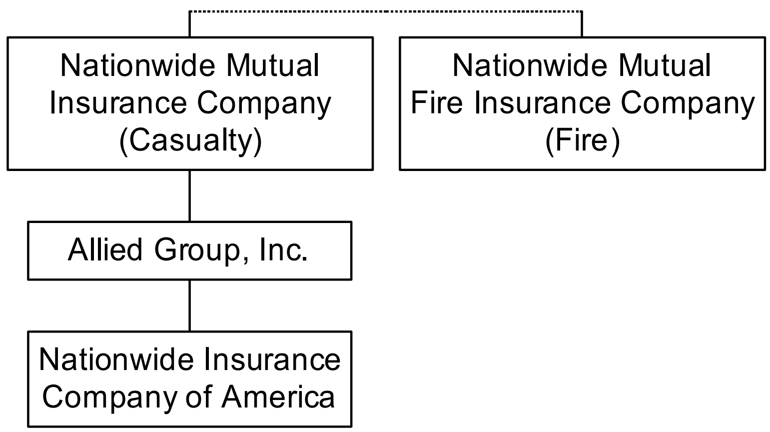
Committees of the Board

Although, the company's bylaws allow for the formation of certain committees by the board of directors, no committees had been formed at the time of the examination.

IV. AFFILIATED COMPANIES

Nationwide Insurance Company of America is a member of a holding company system. The organizational chart below depicts the relationships among selected affiliates in the group. As shown below, the Nationwide Group is ultimately contolled by two mutual insurers. Either or both Nationwide Mutual Insurance Company and/or Nationwide Mutual Fire Insurance Company directly or indirectly control all subsidiaries. A brief description of the significant affiliates of Nationwide Insurance Company of America follows the organizational chart.

Organizational Chart
As of December 31, 2001



Nationwide Mutual Insurance Company (NMIC)

NMIC provides primarily private passenger automobile and commercial multi-peril coverages to individuals and businesses in all states, except New Jersey, and in the District of Columbia, Puerto Rico, U.S. Virgin Islands and Canada. NMIC along with Nationwide Mutual Fire Insurance Company are the ultimate parents of NICOA. NICOA has a 100% quota share reinsurance agreement with AMCO Insurance Company, which then cedes to the Nationwide Pool. NICOA has a Cost Sharing Agreement, Tax Sharing Agreement, and an Investment Agency Agreement with NMIC and Nationwide Advisory Services, Inc., a subsidiary of NMIC. As of December 31, 2001, the company's audited financial statement reported assets of $18,553,363,751, liabilities of $12,274,101,706, and unassigned funds and special reserves of $6,279,262,045. Operations for 2001 produced a loss of ($167,648,917).

Nationwide Mutual Fire Insurance Company (NMFIC)

NMFIC provides primarily private passenger automobile and homeowners multi-peril to individuals in all states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands. NMFIC is a party of the 100% quota share pooling reinsurance agreement and gets 11.3% of the pooled business. As of December 31, 2001, the company's audited financial statement reported assets of $2,536,220,451, liabilities of $1,383,175,026, and unassigned funds and special reserves of $1,153,045,425. Operations for 2001 produced net income of $78,050,405.

Allied Group, Inc. (AGI)

AGI is a property and casualty insurance holding company. As of December 31, 2001 the unaudited assets were $1,965,357,622, liabilities of $292,788,991 and equity of $1,672,568,631. Operations for 2001 produced a net loss of ($7,982,084).

V. REINSURANCE

The company's reinsurance portfolio and strategy is described below. A list of the companies that have a significant amount of reinsurance in force at the time of the examination follows. The contracts contained proper insolvency provisions.

Affiliated Ceding Contracts

1.	Type:	100% Quota Share after other reinsurance
	Reinsurer:	AMCO Insurance Company
	Business Covered:	All business written by company after existing reinsurance
	Coverage:	100% of losses net of other reinsurance
	Period:	January 1, 1999 and continuously until cancelled
	Cancellation:	90 days notice by either party
	Premium:	100% net premium after existing reinsurance.

Nonaffiliated Ceding Contracts

1.	Type:	Casualty Excess of Loss Contract
	Reinsurers:	Intermediary – Guy Carpenter & Company Inc.
	Business Covered:	Farm Excess/Umbrella Commercial Excess/Umbrella Mercantile Excess/Umbrella Home Enterprise Excess/Umbrella
	Coverage:	$9,925,000 excess $75,000 each and every loss.
	Period:	April 1, 2001 to March 31, 2002 (All policies coming within the terms of this agreement until the expiration date or the next anniversary date of such policies.
	Premium:	68.12% of gross net premium income of company.
2.	Type:	Personal Excess and Personal Umbrella Liability
	Reinsurer:	American Re-Insurance Company
	Business Covered:	Personal Excess and personal Umbrella Liability policies issued by company.
	Coverage:	$9,925,000 excess $75,000 each occurrence up to $19,925,000 if accepted by reinsurer. Extra Contractual Obligations and/or Excess Judgement awards and Loss adjusting expenses up to $4,925,000.

	Period:	April 1, 1999 until terminated in accordance with the cancellation article. Either party may cancel with 90 days notice.
	Premium:	72.5% of first $1,000,000 of coverage and 100% of company's premium in excess of $1,000,000 in coverage.
	Commission:	30% of net premiums ceded under this contract. Contingent commission of 50% when income exceeds losses and expenses.
3.	Type:	Liability Excess Reinsurance
	Reinsurer:	Employers Reinsurance Corporation
	Business Covered:	Automobile, General, Professional, Liquor, Workers Compensation and Employers' Liability
	Coverage:	1st Excess - Automobile, General, Professional, Liquor, Workers Compensation and Employers' Liability $500,000 excess $500,000 retention. 2ND Excess – Automobile, General, Professional, Liquor, Workers Compensation and Employers' Liability $2,000,000 excess $1,000,000.
	Period:	Effective January 1, 2001 and remains in effect until 90 days written notice given by either party.
	Premium:	1st Excess .8338% of Net Premium income 2nd Excess .2310% of Net Premium income
4.	Type:	Property per risk Excess of Loss
	Reinsurers:	Intermediary – Guy Carpenter & Company Inc.
	Business Covered:	Property Losses
	Coverage:	$4,500,000 excess $500,000 any one loss. One year aggregate loss limit of $9,000,000.
	Period:	Losses with effective dates 06/30/01 to 06/30/02.
	Premium:	2.9% of net earned premium for the period. Deposit premium of $12,821,000.
5.	Type:	Property Catastrophe Excess of Loss
	Reinsurers:	Intermediary – Holborn Corporation (25% is with affiliate Nationwide Indemnity Company (an affiliate))
	Business Covered:	Property business new and renewed during life of contract
	Coverage:	First Layer $10,000,000 excess of $20,000,000 one loss occurrence with aggregate total of $20,000,000 for life of contract.

	Second Layer $20,000,000 excess $30,000,000 one loss occurrence with aggregate total of $40,000,000 for life of contract.
	Third Layer $40,000,000 excess $50,000,000 one loss occurrence with aggregate total of $80,000,000 for life of contract.
	Fourth Layer $70,000,000 excess $90,000,000 one loss occurrence with aggregate total of $140,000,000 for life of contract.
Period:	January 1, 2002 to January 1, 2003
Premium:	First Layer .7195% of gross net earned premiums, deposit premium of $4,250,000 and reinstatement at pro-rata rate of annual premium (pro-rata being amount exhausted over total coverage).
	Second Layer .8803% of gross net earned premiums, deposit premium of $5,200,000 and reinstatement at a pro-rata rate of annual premium (pro-rata being amount exhausted over total coverage).
	Third Layer .9480% of gross net earned premiums, deposit premium of $5,600,000 and reinstatement at pro-rata rate of annual premium (pro-rata being amount exhausted over total coverage).
	Fourth Layer .9480% of gross net earned premiums, deposit premium of $5,600,000 and reinstatement at pro-rata rate of annual premium (pro-rata being amount exhausted over total coverage.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported in the December 31, 2001, annual statement to the Commissioner of Insurance. Also included in this section are schedules that reflect the growth of the company, NAIC Insurance Regulatory Information System (IRIS) ratio results for the period under examination, and the compulsory and security surplus calculation. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Surplus per Examination."

Nationwide Insurance Company of America
Assets
As of December 31, 2001

	Ledger Assets	Nonledger Assets	Nonadmitted Assets	Admitted Assets
Bonds	$ 55,308,826	$	$	$ 55,308,826
Cash	635,287			635,287
Short-term investments	4,884,625			4,884,625
Federal and foreign income tax recoverable and interest thereon	526,878			526,878
Interest, dividends, and real estate income due and accrued	821,575			821,575
Write-ins for other than invested assets Prepaid Expense	95,588		95,588	0
Total Assets	$ 62,272,779	$	$ 95,588	$ 62,177,191

Nationwide Insurance Company of America
Liabilities, Surplus, and Other Funds
As of December 31, 2001

Amounts withheld or retained by company for account of others	($ 58,577)
Payable to parent, subsidiaries, and affiliates	6,726,111
Total Liabilities	6,667,534
Common capital stock	3,375,000
Gross paid in and contributed surplus	74,591,382
Unassigned funds (surplus)	(22,456,725)
Surplus as Regards Policyholders	55,509,657
Total Liabilities and Surplus	$ 62,177,191

Nationwide Insurance Company of America
Summary of Operations
For the Year 2001

Investment Income	
Net investment income earned	$ 3,440,484
Net realized capital gains or (losses)	10,597
Net investment gain or (loss)	3,451,081
Net income (loss) before dividends to policyholders and before federal and foreign income taxes	3,451,081
Net income (loss) after dividends to policyholders but before federal and foreign income taxes	3,451,081
Federal and foreign income taxes incurred	(636,418)
Net Income	$ 4,087,499

Nationwide Insurance Company of America
Cash Flow
As of December 31, 2001

Investment income (net of investment expense)		$3,476,815	
Other income (expenses):			
Net amount withheld or retained for account of others	(58,578)		
Total other income		(58,578)	
Deduct:			
Federal income taxes paid (recovered)		272,803	
Net cash from operations			$ 3,145,434
Proceeds from investments sold, matured, or repaid:			
Bonds	1,560,373		
Miscellaneous proceeds	39,400		
Total investment proceeds		1,599,773	
Cost of investments acquired (long-term only):			
Bonds	2,316,042		
Total investments acquired		2,316,042	
Net cash from investments			(716,269)
Cash provided from financing and miscellaneous sources:			
Net transfers from affiliates	268,981		
Other cash provided	97,656		
Total		366,637	
Net cash from financing and miscellaneous sources			366,637
Net change in cash and short-term investments			2,795,802
Reconciliation			
Cash and short-term investments, December 31, 2000			2,724,110
Cash and short-term investments, December 31, 2001			$5,519,912

Nationwide Insurance Company of America
Compulsory and Security Surplus Calculation
December 31, 2001

Assets	$ 62,177,191	
Less liabilities	6,667,534	
Adjusted surplus		$ 55,509,657
Compulsory surplus (subject to a minimum of $2 million)		0
Compulsory surplus excess (or deficit)		$ 55,509,657
Adjusted surplus (from above)		$ 55,509,657
Security surplus: (140% of compulsory surplus, factor reduced 1% for each $33 million in premium written in excess of $10 million, with a minimum factor of 110%)		0
Security surplus excess (or deficit)		$ 55,509,657

The company has $-0- retained premium, and its predecessor company's license in Wisconsin predates 1982. This circumstance results in the company having $-0- compulsory surplus and $-0- security surplus requirements.

Nationwide Insurance Company of America
Reconciliation and Analysis of Surplus
For the Five-Year Period Ending December 31, 2001

The following schedule is a reconciliation of total surplus during the period under examination as reported by the company in its filed annual statements:

	1998	1999	2000	2001
Surplus, beginning of year	$ 119,264,163	$ 143,947,000	$ 45,299,147	$ 51,049,817
Net income	11,867,861	21,561,040	4,864,767	4,087,499
Net unrealized capital gains or (losses)		(3,429,858)		
Change in net deferred income tax				274,685
Change in non-admitted assets	14,225,386	1,577,555	885,903	97,656
Surplus adjustments:				
Paid in		(120,000,000)		
Change in excess of stat reserves over stmt reserves	(1,410,410)	1,643,410		
Adj. For transactions directly related to the acquisition of the company by Nationwide Mutual				
Adj. For prior years reserve strengthening related to reserves acquired via loss portfolio transfer agreement				
Surplus, end of year	$ 143,947,000	$ 45,299,147	$ 51,049,817	$ 55,509,657

Nationwide Insurance Company of America
Insurance Regulatory Information System
For the Four-Year Period Ending December 31, 2001

The following is a summary of NAIC Insurance Regulatory Information System (IRIS) results for the period under examination. Exceptional ratios are denoted with asterisks. A discussion of the exceptional ratios may be found after the IRIS ratios.

	Ratio	1998	1999	2000	2001
#1	Gross Premium to Surplus	172%	255%	175%	82%
#2	Net Premium to Surplus	165	0	0	0
#3	Change in Net Writings	152*	99*	0	0
#4	Surplus Aid to Surplus	0	0	0	0
#5	Two-Year Overall Operating Ratio	87	109*	0	0
#6	Investment Yield	5.8	4.9	5.7	5.9
#7	Change in Surplus	38	-72*	13	9
#8	Liabilities to Liquid Assets	78	26	12	11
#9	Agents' Balances to Surplus	21	0	0	0
#10	One-Year Reserve Devel. to Surplus	-2	0	0	0
#11	Two-Year Reserve Devel. to Surplus	-18	0	0	0
#12	Estimated Current Reserve Def. To Surplus	0	0	0	0

The exceptional results in 1998 were due to the purchase of the Company by Nationwide Mutual and the related changes in the business plan. The exceptional results in 1999 were due to changes associated with the quota share reinsurance agreement with AMCO Insurance Company.

Growth of Nationwide Insurance Company of America

Year	Admitted Assets	Liabilities	Surplus As Regards Policyholders	Net Income
1998	430,785,796	286,838,796	143,947,000	11,867,861
1999	60,924,238	15,625,091	45,299,147	21,561,040
2000	58,163,975	7,114,158	51,049,817	4,864,767
2001	62,177,191	6,667,534	55,509,657	4,087,499

Year	Gross Premium Written	Net Premium Written	Premium Earned	Loss And LAE Ratio	Expense Ratio	Combined Ratio
1998	248,297,815	237,894,152	249,501,291	73.7	31.3	105.0
1999	115,574,150	(82,776,643)	0	0	0	0
2000	89,560,827	0	0	0	0	0
2001	45,476,220	0	0	0	0	0

The change between 1998 and 1999 was due to the company entering into a 100% quota share agreement with AMCO Insurance Company. Admitted assets have been in the $60 million range since the change. Surplus has grown from $45 million in 1999 to $55 million in 2001. The company has been profitable for all years under review.

Reconciliation of Surplus per Examination

There were no adjustments or reclassification as a result of this examination.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific recommendation in the previous examination report as of December 31, 1997, prepared by the California Insurance Department. Comments and recommendations contained in the last examination report and actions taken by the company are as follows:

1. Corporate Records — It is recommended that the Company comply with California Insurance Code (CIC) Section 735.

   Action—Compliance. The company's board minutes documented the distribution of the examination report prepared by the California Insurance Department.

Summary of Current Examination Results

Affiliated Agreements

The company had an Investment Agency Agreement with its parent that was not submitted to the Office of the Commissioner of Insurance, pursuant to s. Ins 40.04 (2), Wis. Adm. Code. It is recommended that the company submit all affiliated agreements before implementation, pursuant to s. Ins 40.04 (2), Wis. Adm. Code. Prior to the adoption of this report, the company submitted, and after some changes were made to the agreement, the Office of the Commissioner of Insurance did not disapprove of the contract.

VIII. CONCLUSION

The company's results showed a significant change between 1998 and 1999 which was due to the company entering into a 100% quota share agreement with AMCO Insurance Company. Admitted assets have been in the $60 million range since the change. Surplus has grown from $45 million in 1999 to $55 million in 2001. The company has been profitable for all years under review.

There was one recommendation in the previous examination report as of December 31, 1997, prepared by the California Insurance Department. The company has complied with the prior recommendation.

There is one current recommendation listed in the next section of this report.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 21 - Affiliated Agreements—It is recommended that the company submit all affiliated agreements before implementation, pursuant to s. Ins 40.04 (2), Wis. Adm. Code.

X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

Respectfully submitted,

David A. Grinnell
Examiner-in-Charge

Subsequent Events

An affiliate of the parent, NMIC, Nationwide Financial Services Inc. (NSF) has an agreement to buy the Provident Mutual Life Insurance Company through a sponsored demutualization. Presently, approximately 82% of NFS, a public company, is owned by the Nationwide Corporation, which is approximately 95% owned by the company.

Nationwide Corporation reduced its interest in NFS by exchanging Class B shares it previously owned (valued at $362.8 million) for 100% interest in Gartmore Global Investments, Inc. and Nationwide Securities Inc.

Also associated with the transactions, Nationwide Global Holdings, Inc. transferred Gartmore Global Asset Management Trust (GGAMT) to Nationwide Corporation and Nationwide Corporation then authorized a dividend of Gartmore Global Investments, Inc. to GGAMT.